WM. A. WHITTICK.

"WITHOUT A DETERMINATION OF VALUE, JUSTICE IS IMPOSSIBLE"

VALUE

AND

AN INVARIABLE UNIT OF VALUE

AN IMPORTANT DISCOVERY IN ECONOMICS

BY

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"Of all the economic contradictions, value is that which, dominating the others and summing them up, holds, in a sense, the sceptre of society: I had almost said of the moral world. Until value . . . arrives at its constitution, thine and mine remain fixed arbitrarily; the conditions of fortune are the effect of chance; property rests on a precarious title; everything in social economy is provisional.

"What should social, intelligent, and free beings have learned from this uncertainty of value? To make amicable regulation that should protect labor and guarantee exchange and cheapness. What a happy opportunity for all to make up, by honesty, disinterestedness, and tenderness of heart, for the ignorance of the objective laws of the just and the unjust. Instead of that, commerce has everywhere become, by spontaneous effort and unanimous consent, an uncertain operation, a venturesome enterprise, a lottery, and often a deceitful and fraudulent speculation."

(Proudhon's "System of Economical Contradictions," page 421.)

INTRODUCTION.

THE importance of our subject cannot be over-estimated.

Value has been called the corner-stone of economics, the fundamental idea, the dominant category of political economy, and, unless it be definitely and correctly determined, that science in its entirety is like a house built upon quicksand; it has no solid, abiding foundations.

Until the commerce of mankind,—until the product of industry can be weighed and balanced in the scales of justice, society in its true sense is impossible, and must inevitably become "an organized institution for picking pockets," such as it is, to a great extent, to-day.

The lack of equity and justice in the pro-

cesses of production and distribution so painfully manifest at the present time, and so fruitful in evil, has its source in this one fact more than any other,—that there is no just standard measure or unit of value; that which is used as such being simply a disturber of values and a tool of exploitation and injustice through monopoly.

The wide interest manifested in our subject is a remarkable fact of current literature, hardly a paper or a magazine with any educational pretensions being void of some reference to value or to its intimate relations.

The Loco-foco party of 1836, which protested against paper and bank-notes, has split into bimetallists and monometallists, and the war of the standards rages from Dan to Beersheba, disintegrating political parties and becoming the *bête noir* of political saints and sinners.

Honesty is inscribed on both banners, while with *intelligence* both banners would vanish from the field.

One writer, pleading for a monopolized gold standard, under which rascality is a fine art, is so enthused with the *moral* aspect (to him) of his theme of monetary aggrandizement, that he makes a national application of the faith that is in him, asking, "Are we a nation of rascals?"

This Armageddon of ignorance continues as though some Joshua of political economy had halted the sun in its celestial course so that the slaughter of words might continue.

The economists fight upon questions to decide which value must be determined. One seeks his unit or standard of value in gold, the other in silver, and both, being blind leaders of the blind, fall into a pit.

The economists talk of value as vaguely as the red Indian talks of the Great Spirit. They compare values by means of a shifting point of comparison (worse than none); they measure values with an elastic thread; they confound utility and value; they differentiate price and value; they, in one breath,

proclaim the ideality of value, its elusiveness and mentality; while, in the next breath, they talk of so many grains of this or that *material* substance as a standard of the *ideal.*

The thing that *has* the purely mental attribute of value, is, to them, the thing that *is* value; and thus they render substance and ideal homogeneous, and a fraudulent standard of value is raised.

From this point they revel in ignorance and inconsistency; they jump from crag to crag of absurdity, until upon this vertebrata of ignorance and misconception they string the fossil remains of a science under which the mournful sigh of labor is the song of the nightingale to his exploiter,—to his murderer,—for, as Proudhon wrote, "Every error in commutative justice is an immolation of the laborer, a transfusion of the blood of one man into the body of another."

By determining value, as we shall do, political economy is rescued from chaos, and

labor throws off the thief and the murderer. Out of chaos comes order, out of stupidity reason emerges, and out of injustice springeth righteousness.

The *savants* tell us that our problem is unsolvable; that an invariable standard of value is unattainable,—yea, inconceivable,—that it is the "squaring of the circle" for economists; but we brush the *savants* aside and we give political economy a determination of its "fundamental idea" *value*, and a standard measure and unit of value, invariable for all time, perfect in its functions and attributes.

A science of political economy is now possible: we must write, anew, our economic literature, throwing, with here and there a regret, the old apologies for iniquity into the flames of oblivion.

But, although we have the confidence born of deep conviction necessary for our treatment of this subject, we are not blind to the difficulties and intricacies of the subject.

The antagonisms of the economists may well be taken as indicative of the difficulty and transcendent importance of our subject, which we believe underlies all social progress, which, as Proudhon said, "consists in a continuous solution of the problem of the constitution of values, or of the proportionality or solidarity of products."

We ask from our readers patience and unprejudiced minds.

VALUE

AND

AN INVARIABLE UNIT OF VALUE.

The Economists on Value.

WE give some definitions of value, culled from economic writings, with some explanatory criticisms thereon.

Adam Smith wrote as follows: "The word value, it is to be observed, has two different meanings, and sometimes expresses the utility of some particular object, and sometimes the power of purchasing other goods which the possession of that object conveys."

This definition has led many economists astray by confounding *utility* with *value.* Utility is entirely distinct from value. If they were identical, then *all* useful things would have value, which, we all know, is not

the case. Utility helps to *determine* value; value is, simply and solely, *power in exchange.* We cannot conceive of value separate from utility; but utility is frequently separate from value. The utility of a thing is therefore entirely distinct from its value. Utilities are constant, values are inconstant.

Francis A. Walker says, "Value must be severely distinguished from utility," and again, "Value in use is utility, and nothing else."

J. R. McCulloch also dissents from Adam Smith. He writes: "The value and utility of commodities are totally distinct qualities."

Henry Dunning Macleod writes as follows: "The value of any economic quantity is any other economic quantity for which it can be exchanged." Here he confounds value with quantity. He should say *the value* of any economic quantity is equivalent to *the value* of any other economic quantity for which it can be exchanged.

While asserting, as above, that value is an "economic quantity," he, elsewhere in his

voluminous writings, describes value as a "ratio in exchange," and also as a "desire of the mind," which leads him to the absurd conclusion that "a single object cannot have value." He has confounded value (power in exchange) with its expression "ratio in exchange." But before its value is determined, a thing may be known, and be said, to have value.

Henry Fawcett, M.A., defines value as a comparison of one commodity with another; and, again, as a "relative expression," but qualifies his definition from the ideal to the material, by saying, that if a sack of wheat exchanges for a ton of coal, then "the ton of coal is the value of a sack of wheat." How a ton of coal can be a "comparison" or a "relative expression" logic does not say.

This writer also differentiates *price and value,* owing to the disturbing influences of money upon prices.

The above material aspect of value is in harmony with that of Hugo Bilgram, of

Philadelphia, who says, "If I exchange a book for a dollar, the book is the value of the dollar, and" (he extends Fawcett's scope of value) "the dollar is the value of the book."

Under this definition, the value of a thing is always *some other thing;* and yet Bilgram says that a certain quantity of gold (of *no value, per se*, by his own definition) may be used as a standard of value. In differentiating labor and value, Mr. Bilgram says, "Labor is not a quantity, but an act." To differentiate value and quantity, we say to Mr. Bilgram, "Value is not a quantity, but an idea."

A good illustration of the false position of Bilgram is afforded by Macleod in his repudiation of the term currency. He writes: "Nothing is more common than to say that such an opinion or such a report is current, and we speak of the currency of such an opinion or such a report. But whoever dreamt of calling the opinion or the report itself currency?"

So, we speak of *the value* of a thing, but whoever (outside of learned economists) dreams of calling the thing itself value?

Fawcett's illustration should read, "*The value* of a ton of coal is equal to *the value* of a sack of wheat." Bilgram's bull should read, "The value of the hat is one dollar, and the one dollar is equal to the value of the hat, and its equivalent values in all vendable commodities." Note that we do not say *the value* of the dollar, for the reason that the dollar is the unit of the value scale; *is* value, in fact, while the hat *has* value only. Bilgram's conception of value leads him to say, "Strictly speaking, a thing can have a definite value only at the moment at which it is exchanged for another thing." This implies that value is a momentary phenomenon; which is equivalent to saying that a body has weight only when it is being weighed. Contrary to most of the conclusions of the economists, Bilgram arrives at the strange conclusion that values are constant and utilities vari-

able. He says, "The utility of a commodity is not a fixed quantity, nor has it an objective existence, being dependent upon the judgment of the individual." Proudhon, who adopted the terms *value in use* and *value in exchange*, on entirely erroneous premises, realized the "positive and fixed nature of useful value" and the "variable element" in "exchangeable value." It is impossible to conceive of the *uses* of any thing changing. It is either adaptable for such and such a purpose or not. On the other hand, estimates and applications of utility may widely vary. Utility is *inseparable from the nature* of a thing, and variation therefrom is inconceivable.

J. K. Ingalls gives us a trinity of values, namely, value in utility, invariable; value in service, stable; value in exchange, variable. He also says, "Preferably to value I use the term ratio," the latter in line with Jevons and Macleod and elsewhere refuted.

The varied estimation of utility and its non-identity with value, also the fact that

service does not constitute, although it may help to determine, value, leaves us alone with *true* value, *power in exchange,* incorrectly expressed by Ingalls as *value* in exchange.

The master-mind of Proudhon did not clearly comprehend value. His definition confounds the fact of value with its *expression* when he says, "Value is the proportional relations of the products which constitute wealth." He might have more truly said value is expressed by the proportional relations of the products which constitute wealth. Even here he would be incorrect, for wealth is a term which covers all that tends to the weal or well-being of mankind, much of which is not possessed of economic value. The simple definition, *power in exchange,* conveys a clear and scientific conception of the term value.

Proudhon's position as to a *standard of value* is somewhat uncertain also. He says, "The object of our inquiry is not the standard of value, as has been said so often and so

foolishly, but the law which regulates the proportions of the various products to the social wealth." The law for which Proudhon sought, and upon which, he says, "depends the rise and fall of prices," is the law of *supply and demand;* but a standard of value is imperatively necessary, for how can values be regulated, how compared, without a point of comparison? In another place he wrongly identifies "supply" with "useful value;" and "demand" with "exchangeable value." Supply and demand, both, have relation to, and always determine, exchange value; utility is an element affecting demand.

In a line with those who have based value upon labor, J. R. McCulloch calls *real* value the cost of any product. Cost is (like utility) totally distinct from value, although it is, always, a prominent factor in determining value under supply and demand. A thing may be very costly (in labor) and yet quite valueless. Misdirected labor has no right to, and does not, determine value.

His definition of what he calls exchangeable value, in contradistinction to *real* value, may be here quoted, as follows: "All commodities which are in demand and which require any portion of voluntary labor to obtain them are possessed of value,—that is, of power or capacity of exchanging for labor or for other commodities." This is verbose, but is, briefly, *power in exchange.*

J. E. Cairnes (correctly) defines value as "the power of commanding other things in exchange," and, again (incorrectly), as "the ratio in which commodities in open market are exchanged against one another." His first definition is expressed by his second,—that is, *power* is expressed in *ratios.* Hence his second definition is inaccurate.

Henry C. Carey defines value as a *measure of resistance* in securing the goods we need, which is the obverse of "power in exchange," and a fair definition.

He also asserts that "the value of every commodity, or thing, must be estimated in

some other commodity or thing." He would be more scientific in saying *the value* of every commodity or thing must be estimated in the *value* of some other commodity or thing. Values cannot be estimated in commodities!

Again he says, "Labor is thus the sole cause of value." He mistakes the producer of value for its cause. *Power in exchange* is the sole cause of value.

Again he writes: "The value of commodities, at the time of production, is measured by the quantity and quality of labor required to produce them." A comedy of errors! The quantity and quality of labor expended determine *cost;* supply and demand determine *value.* Value cannot be measured by labor any more than mass can be measured by length. Quoting Francis A. Walker: "It is not because an article has cost labor that it possesses value. It is only because it cannot now be obtained without labor." And again: "Value depends wholly upon the relation between demand and supply."

Professor Bonamy Price makes value cover all utilities, and considers it synonymous with attachment and esteem.

He writes: "The feeling, 'I value,' is always ultimately the dictator of all economic action. It asserts its mastery even when the barbarian sells his children to be slaves."

But utility, attachment, esteem, or a feeling, do not constitute value; all may exist apart from economic value. The ideality conveyed in the definition is its only merit, but, otherwise, it is not defining value.

J. S. Mill uses value as implying *value in exchange*, which is tautological, and no definition of value until amended to read "power in exchange."

Professor Jevons calls value a ratio in exchange. "Bearing in mind that value is only the ratio of quantities exchanged." This definition, followed to a logical conclusion, annihilates the value of everything, *per se*, for how can anything possess a ratio? But by defining value as power in exchange,

and the expression of that power as ratios, then the *reductio ad absurdum* of Jevons and his followers vanishes.

Francis A. Walker, one of the clearest interpreters of value, defines it as power in exchange, and otherwise in dealing with this subject expresses himself admirably.

Proudhon makes an admission which implies the ideality of value (a point we are most anxious to substantiate) when he says, "Seeing that the variability of value proceeds not from things, but from the mind," etc.

A. L. Perry calls value "a relation in mutual purchase." This is, again, the substitution of the expression of value for its fact. A relation cannot be a value.

Bastiat's definition, a service rendered, is not scientific, because many services are not economically valuable.

Roscher defined it as a quality which makes things exchangeable. This is putting the cart before the horse; for it is

not value that makes things exchangeable, but exchangeability that makes things valuable.

Levasseur defines value as a relation resulting from exchange. "Relation," again, which may express value, but is not value.

J. B. Say: "The valuation of an object is nothing more nor less than the affirmation that it is in a certain degree of comparative estimation with some other specified object."

This definition involves the *expression* of power in exchange or value; it does not define value.

Edward Kellogg, in his "New Monetary System," makes value depend upon use, and divides it into legal and actual value. These terms suggest his meaning, but they are unscientific. Utility is not the sole determinant of value, nor can economy recognize legal values. The fact of being able to redeem representatives of value in *actual* value, does not constitute the representatives the things they represent.

The necessity for the minutest discriminations in terminology is manifest by the differences of the economists; and by the fact, more and more evident to an inquiring, progressive mind, that this vexed question of value must be solved before political economy can pretend to be an exact science.

One of the best definitions of value ever outlined is that of W. L. Trenholm, in his work, "The People's Money." He writes: "Value is an abstract term expressing a relation; it does not exist in things said to possess it, but is imputed to them by human intelligence; it is not a quality of objects, but only an attribute with which they become invested. Value is very different from utility, though utility is generally, but not always, the basis of value. Utility is a physical relation, whereas value is an abstract relation. Brute animals have a conception of utility; they have no conception of value. Value is a purely human conception. . . . Value being a relation, it must vary by

degrees, not by quantities; and degrees of value, since value is the correlative of desire, must vary with the intensity of the desires to which they are related. But since value attaches only to that which, though desired, is as yet withheld from our possession, then value must vary also with the resistance to appropriation."

With the exception of the objection that value is always *expressed by*, instead of being the *expression of*, relations, the above definition is admirable, especially the admission that value *varies by degrees and not by quantities*, the degrees in turn varying with *intensity of desire.*

Looking over the foregoing definitions of value, we find that they embody, as a rule, a conception of value as a mental phenomenon,—an ideality, an abstraction. The position of those who assert the materiality of value is absolutely indefensible. A commodity and its value are distinct entities. The value may constantly change with the

freaks of the mind, while the commodity is invariable.

If not entirely distinct one from the other, change of one would imply changes of both.

A commodity is a material substance of an unvarying quantity and mass; *its value* is fugitive and uncertain.

Those, again, who define value as both material and ideal, concrete and abstract, are condemned out of their own mouths; and yet that is virtually the position of those who, while defining *value as ideal,* insist upon some *material standard of value.*

Finally, as to value, we claim that it is power in exchange, expressed in ratios, determined by supply and demand, ever tending to cost of production under an efficient demand or to non-production under a non-efficient demand; value, so determined, being significant of a certain *difficulty of attainment.*

Labor, the source of all values, creates

products—some useful, some useless—which, under supply and demand, have such use or non-use determined, resulting in values and non-values, the former persisting in, the latter desisting from, production; the former values tending to cost of production, *i.e.*, labor expended.

Thus, it is clearly shown that value represents a certain *difficulty of attainment*, and that this *difficulty* increases under certain conditions and diminishes under other and contrary conditions.

The modifications of this *difficulty of attainment* can only be indicated by a scale of degrees; it is impossible to conceive of any commodity so functioning.

The reader must bear the foregoing in mind: it is very vital to our conclusions.

The Gresham Paradoxical Law.

Along in the '80s I wrote as follows in the Denver *Individualist:*

"If a general advance in prices occurs

under a gold basis, the gold dollar is called upon to perform two opposite functions, namely, to exchange for less as money, and for more as a commodity. *Strip off the material incumbrance, and this difficulty vanishes.*

"It is this property of 'metal money' that creates the so-called Gresham paradox,—that poor money drives out good money.

"The paradox vanishes when we understand what is *poor* money and what is *good* money. Ideal money, having no intrinsic value, is good money, and, in competition with iron, silver, copper, gold, or any commodity money, must inevitably, and very properly, drive them from circulation. Money, like humanity, is subject to the law of the 'survival of the fittest.'"

In a recent work I reiterated the above truth, and, so far as I know, am the first writer who has exposed the mythical character of this famed economic law,—the paradox of Sir Thomas Gresham.

I refer to this law again because it has been urged by Jevons as a reason why money should not be provided by private manufacture, against Mr. Herbert Spencer's claim that it should. In other words, the paradox is used as a barrier against liberty, and, like most pleas in that direction, it is entirely false and baseless. The absurd waste of metal in coinage is pointedly shown elsewhere in these pages; therefore, the conflict of old with new coins passes out of economics. Money, *purely ideal*, enters the arena and defies picking, culling, and garbling,—the melting-pot, and Gresham's unscientific law.

While defending Mr. Spencer's aspirations towards liberty, and while brushing aside Professor Jevons's baseless objection thereto, we are yet compelled to remind Mr. Spencer that, while the private issue of money is perfectly feasible and should be legitimate, the issue of *coin-money* or *metal-money* would never be advocated, under any conditions, by one who understood the theory of value.

The Gresham law is, in all its bearings, an apt illustration of the evil of metal coinage. It reveals the fact that the metal is in constant antagonism to the money, interfering with and sometimes entirely abrogating the money function, in deference to its commodity value. The best money is that money that performs the money function the best and at the least cost. The use of a valuable metal as a tool of exchange is just as absurd as would be its use in the manufacture of spades and shovels and other tools of industry.

An iron or steel shovel would always drive out a gold shovel; just as a cheap money drives out a dear money.

For three centuries this paradox has been the apologist of an absurd system of money,—a system in conflict with the universal law that the fittest survives.

The money that runs away from its duties—that refuses to circulate—is, according to this absurdity, the *best money*. The soldier

who runs away from the field of battle is, by this reasoning, the bravest and best soldier.

Professors Newcomb and Mill claim that "the value of the dollar varies inversely as the scale of prices." Conflicting values of full and light weight coin are the foundation of the Gresham paradox.

Under the invariable unit of value, money will *never vary in value.* Its significance as to *quantities* may vary, but, as to *value*, it never can vary.

Thus, the invariability of the value of money (of the value scale) destroys this paradox.

Money should be *a value*, not a commodity; it should not *have* value; but, I reiterate, it should *be* value, and a *fixed* value; being such, its absolute uniformity renders conflict impossible, and the Gresham law disappears.

If there is any one single fact which condemns our entire money system, I know of none so potent in that direction as that coddled product of ignorance, the Gresham paradoxical law.

The Economic Myth of Land-Value.

Jean Jacques Rousseau has said, "The first man having an enclosure, a plot of ground, who took it into his head to say, 'This is mine,' was the real founder of civil society. What crimes, misery, and horror would have been spared mankind if some one had pulled away the fences, and filled in the ditches, crying out to his fellows, 'Beware of listening to this impostor; you are lost if you forget that the fruits of the earth belong to all, and that the land belongs to no one person.'"

Adam Smith said, "As soon as the land of any country has all become private property, the landlords, like all other men, love to reap where they never sowed, and demand a rent even for its natural produce."

The relations of landlord and tenant are the epitome of a huge system of exploitation born of unjust monopoly, such as is suggested by the above quotations.

We assert that *land has no value*, and that a true science of political economy demonstrates that fact.

Value, or exchangeability, can only originate in labor. That which requires no effort to secure it, is economically valueless.

Proudhon said, "Abolish labor, and you have left only articles of greater or less usefulness, which, being stamped with no economic character, no human seal, are without a common measure,—that is, are logically unexchangeable."

J. K. Ingalls said, "The land, not being movable, cannot be transferred; hence only possession or occupancy can be exchanged. Being no product of labor, it cannot be measured by labor or have a labor price. A money price is therefore fraudulent."

Again, the economists show that values always tend to *cost of production*. The element of labor being eliminated, how can cost be determined? To speak of the *cost of production of land* would be absurd. Therefore,

as no other final determinant of value is possible, we assert, as Proudhon did of labor, that *the value of land* is a figurative expression, an anticipation of effect from cause.

Even if land-values were legitimized by science, the fact remains that they are purely speculative,—based upon *a prospective power of exploitation*, upon values not yet produced, and not upon existing values. Therefore, how absurd it is to include land-values, so called, in any estimate of a community's exchangeable wealth.

And what becomes of the proposition of certain reformers to tax land-values?

And, again, what of the proposition, urged by some students of the money question, to make these mythical products of unjust economic conditions—these so-called land-values—a basis for money issues?

The scheme to tax land-values reminds me of the observant shark, which, seeing a man fall overboard, concluded it would be charitable to take the poor fellow in, as the whale

took in Jonah, in order to save him from death by drowning.

The grim alternative of private or governmental monopoly is offered the poor exploited producer; anything to help him to secure his just wages,—namely, his entire product,—anything except to get off his back.

Our Present Standard.

Professor Jevons voices the chorus of the economists when he writes as follows: "All we can say, then, is that the standard unit of *value* is some entirely arbitrary *weight* of the standard metal, the exact amount of which, being a matter of indifference on general grounds, should be fixed as seems most convenient in reference to the habits of nations or other accidental circumstances." (Italics mine.)

This faulty theory of the economists may be called the Styx of industry leading straight to Hades. By adopting *a weight* as a standard *of value*, the commodity back of the

weight becomes king of commodities and *autocrat of industry*, as we shall clearly show in our next section.

On this theory stands gold to-day, the vortex of a struggle that gets more intense as time moves on. A struggle intensified, also, by the demonetization of silver, which is all that can be said in favor of silver coinage, one commodity being easier monopolized than two.

Our present standard of *value*, so called, is a certain *weight* of gold of a certain *quality*. Now, as a standard of anything must be homogeneous with such thing,—as a standard of weight must *be* weight, as a standard of length must *be* length, as a standard of color must *be* color, as a standard of virtue must *be* virtue,—so, a standard of value must *be* value.

As our standard of to-day is simply a certain *quantity* of gold, how can it be a standard of *value?*

It is actually a standard of *quantity* and *fineness* in relation to gold, that is all.

All of the economists agree as to the imperfection of this standard; but, while hunting for some true standard, they have apologized for this as the best obtainable.

In the words of Professor Laughlin (*Forum*, February, 1896), "Gold and silver have been used as standards in default of better ones," etc.

Adam Smith wrote: "Gold and silver, however, like every other commodity, vary in their value,—are sometimes cheaper and sometimes dearer, sometimes of easier and sometimes of more difficult purchase; . . . so a commodity which is itself continually varying in its own value, can never be an accurate measure of the value of other commodities." Adam Smith did not correctly apprehend value, or he would not so confound the commodity with its value. A *commodity*, even if unvarying in its value, could not be a standard of *value;* it could only be a standard of *quantity* or *quality.* A further quotation from A. Smith will

make this plain. He says, "But as a measure of *quantity*, such as the natural foot, fathom, or handful, which is continually varying in its *own quantity*, can never be an accurate measure of *the quantity* of other things; so, *a commodity*, which is itself continually varying in its *own value*, can never be an accurate measure of *the value* of other commodities." Note how harmonious is the use of the word *quantity*, and how inharmonious the interjection of the word *commodity* in the foregoing. The reference to value should read thus,—"so, *a value*, which is itself continually varying in its *own value*, can never be an accurate measure of *the value* of other things."

It is easy to prove that our present standard is not a standard of value, for if, in a line with the theory of Jevons heretofore quoted, "some entirely *arbitrary weight* of the standard metal," say, 25.8 grains of gold, be selected as the *standard of value*, then the perfect practicability of keeping

such quantity *invariable* is quite manifest; and the fact of *the value* of 25.8 grains of gold varying would be of no consequence; that is, if *the weight* were the standard. If, on the contrary, *the value* of 25.8 grains of gold is the standard *of value,* then the variability in the value of gold is most important, and we have an entirely different problem to deal with,—viz., how to arrive at a *standard of value that will be invariable.* Therefore, those economists who assert that a certain *quantity* of *some commodity* is, or can be, a standard of value, while maintaining the impossibility of the conception of an *invariable* standard, are both ignorant and inconsistent.

If the *commodity* were indeed a standard of value, then it would be an *invariable* standard; for quantities can be kept constant.

Thus it appears that our present standard is *not a standard of value,* but a standard of quantity and fineness (25.8 grains of gold, nine-

tenths fine) which masquerades as a standard of value, to the infinite derangement of values and everlasting bewilderment of the student of political economy.

Evils of our Present Standard.

Our commodity standard has perpetuated the Mercantile or Commercial System, which makes money the master, and exploiter, of industry, instead of its servant and tool; affirming, as it does, that the wealth of a nation consists in its money,—*i.e.*, in the volume of its precious metals.

The economists reject this system theoretically, but, in spite of them, it is in force to-day.

Under it, the pernicious theory of the *balance of trade* has developed into a controlling influence in international commerce, and the money-metals, instead of being free from any artificial restrictions in trade, are the *holy of holies*, the apex of an inverted pyramid controlled by the high-priests of

the Temple of Usury. Being not only money, but the basis of a huge credit system, the precious metals cannot leave a country without necessitating a contraction of credit and paralysis of business.

When we consider that the available supply of gold (silver is now out of the question) is hardly sufficient for the reserve requirements of the banks, it is evident that we are always near financial trouble. A slight outflow of gold creates uneasiness, a large, continuous drain causes a panic. For instance, prior to the panic of 1893, one of the worst this country has experienced, there was a steady outflow of gold, necessitating a fearful contraction of credit (estimated $800,000,000). No wonder industry was paralyzed!

The evil of gold exports, adverse exchanges, born of a commodity standard, forms the basis of a discovery of a principle governing such conditions. Macleod formulated it thus: "When exchange is against a country

through excessive indebtedness, equilibrium is restored by excess of exports over imports or by raising the rate of interest." This principle, he proudly asserts, "is universally adopted by every bank in the world." Unfortunately *it is*, and industry suffers eternally, because a commodity, naturally of little importance industrially, has usurped functions and privileges not rightfully belonging to it. Under a proper money system, *the export of gold would be no more detrimental to a nation than the export of potatoes;* or, in the words of a writer in the *American Magazine of Civics* (December, 1895), "Our gold would simply compete with our grain and cotton for the foreign market. We should enjoy the splendid advantage of caring nothing for the fluctuations of gold itself except as they affected the price of bullion sent abroad, and, thereby, our foreign debts and trade; while, now, the flow of gold, by its depletion or expansion of our money volume, deranges, as well, all our domestic exchanges,

twenty times more important." Let us hope that the time will come when political economy will seek *to cure* radical evils instead of formulating superficial treatment into principles.

The Mercantile System teaches that everything must be encouraged to leave a country before the precious metals, and that to this end industry must, unhesitatingly, be sacrificed upon the altar of money.

Its foundation is the commodity standard, the use of which, in exchange, keeps money and industry perpetually in battle array, the interests of the banks and of industry being diametrically opposed to each other instead of being perfectly and continuously harmonious.

The Commercial System creates obstacles to the progress of national and international prosperity, checking, by means of tariffs and custom-houses, the natural trend to union of interests and fraternal relations, producing, instead, discord, jealousy, and animosity.

The fluctuations of the commodity standard cause the conflict between price and value observed by Adam Smith, J. S. Mill, and others, which introduces into economy elements of uncertainty, disintegration, and contradiction, leading able writers into error. The point is thus explained by Smith: "The same *real* price is always at the same value, but on account *of the variations in the value of gold and silver* the same nominal price is sometimes of very different values." (Italics mine.) Now, by *real price*, A. Smith means "the quantity of the necessaries and conveniences of life which are given for it." In other words, *real price* refers to quantities of commodities, which he claims are "always of the same value." He is wrong, for value is not an expression of *quantity*, but of *difficulty of attainment*, and that constantly varies. Hence, if money is a true measure of value, contracts for the future should always be made in *money*, if it is desired to insure an *equivalent value.*

If supply and demand were the only influences modifying prices, the apparent conflict between money and values or prices and values would be eliminated. Price would then be synonymous with value, and (Mr. Mill to the contrary notwithstanding) even then there might be a general rise or a general fall in values. If any one commodity may be produced cheaper from any cause, and thus decline in value (as Mill admits it may), then other and all values may decline under like influences.

This, indeed, should be the goal of industrial progress,—viz., a general decline in cost of production (value), facilitating the acquisition of all that tends to the comfort and well-being of the producer.

On the other hand, famine, or undue and baseless money issues, might intensify the struggle for existence by raising values universally.

Under present conditions, a rising market is deemed prolific of good and a falling mar-

ket, of evil. But under right conditions this would be reversed. Here appears the absurdity of high wages and high prices. The true criterion of wages is purchasing power, consequently, *under right conditions, decreased cost of production would be constantly advancing wages.* Under this natural law, tariffs, by increasing cost, are a perpetual enemy of labor.

Under present conditions, the natural increase of wages by decreased cost of production is diverted from labor by a monopolized money. And the process by which this infamous end is accomplished is invisible, because the *fluctuation of a standard with itself cannot be observed.*

This invisible but persistent manipulation of the commodity standard has diverted from the producer his cheapened product and the vast general benefits flowing from that great principle so beautifully elaborated by that great economist, Adam Smith,—the principle of the division of labor. This prin-

ciple, under which such play is given to the inventive capacity of mankind, and all the influences tending to perfect and cheapen and render accessible to the producer his product, is diverted from labor by the monopoly of money,—of the commodity standard.

As fast as labor is eased of the burden of production, the burden of distribution is increased. Facility in production meets difficulty in distribution. The acquisition by him of his cheapened product is blocked by a requisition for a monopolized and restricted medium of exchange.

Whichever road he takes, he falls among thieves. *Maledicite!*

Again, the commodity standard fails to guarantee, on time contracts, the exchange of equivalent values. By the time any such contract matures, the money or commodity in which liquidation is obligatory may have become more or less difficult of attainment, consequently injustice enters into the liquidation. Being a *variable* standard of pay-

ment or settlement, it cannot insure justice in contracts.

Again, the fictitious, or legal, value of the commodity standard renders it extremely sensitive to danger; just when most needed in exchange it may crawl into the nooks and corners of banks or into the stocking of the miser.

Every nation that uses a commodity standard has been *endangered by its evanishment or plundered by its impudence.*

It vanishes in danger, and reappears when the danger passes, to curse and enslave the many in the interests of a few. Under resumption processes, contraction of currency into bonds takes place, fathering perpetual debts upon the people and ruining merchants by thousands. It is in such times that

> "Ill fares the land, to hastening ills a prey,
> Where wealth increases, and where men decay."

England, under Peel's Resumption Act of 1820, presented the picture of congested

wealth and general poverty. The elder Peel said to his son, "My son, you have enriched your family and your class, but you have nearly ruined your country." In this country from 1865 to 1879, under Resumption processes, a plutarchy was created with its capital in Wall Street and its obedient servants in Washington. And this resumption, what is it? It is simply the ignorant allegiance to a commodity standard, from which, under more or less trying circumstances, both countries had escaped.

England's progress in material well-being during her struggle with Napoleon, and this country's like progress during the war of the Rebellion, give the lie to the specie basis, and loudly affirm the vast possibilities of industry under ideal standards.

Under an imperfect commodity standard a safe and adequate banking system is an impossibility. On the one hand is the need for a tool of exchange, and on the other hand is the necessity for redemption in gold. Such

redemption cannot be adequately guaranteed, and it is absurd to attempt it. Values created by industry are monetized by bank credits redeemable in specie, so that every issue of credit, while apparently indicating growing industry and increasing wealth, is in inverse proportion to its security.

At the zenith of apparent enterprise and real prosperity gold vanishes and bank credits are called in. People have borrowed credit upon a *pan-commodity* basis and must now pay in *one* commodity (gold). The pyramid of industry based on gold, propped by credit, topples over, and the crop sown by enterprise and labor is reaped by idleness. *No banking system based upon gold can possibly meet the demands of expanding industry,* it can never be other than a wrecker of industry.

It is not *wild-cat banking* that we must denounce, but a *wild-cat standard.*

Again, a commodity standard is a very expensive toy. It diverts from their natural

uses valuable metals; and, if the use of iron as money by the Lacedemonians excited the surprise of a visiting barbarian (whose name I have forgotten), how much more senseless might well appear the *waste of gold* for such a purpose.

Adam Smith wrote: "Money, therefore, is the only part of the circulating capital of a society of which the maintenance can occasion any diminution in their net revenue."

Certainly, then, it would be in a line with true economy to discard such an expensive standard.

Probably the most gigantic evil based upon the commodity standard is the funding system, which in its malevolent influence upon the destinies of mankind has more to answer for to the eternal Nemesis of wrong than any other evil; we might almost say, than the aggregate of all other evils.

It is passing over the nations of the earth like a plague, leaving abandoned homes and the desolation of despair in its track. It is

an invisible chain from which escape is hopeless. It is ruining nations and enslaving mankind. It is absurd to talk of self-government under a funding system. The following words of prophecy were written by Adam Smith, in 1776, in his immortal and invaluable work: "The progress of the enormous debts which at present oppress, and will in the long run probably ruin all the great nations of Europe, has been pretty uniform." Ruin or repudiation, which? The funding system wipes out all frontier lines, all patriotism, all classes but two, "the sticker and the stuck!"

It seeks the guarantee of enslaved humanity on its investments, and encourages official extravagance and rascality.

The fundamental causatory evil of the commodity standard is its *monopoly*. It is useless to deny a monoply of gold; if it were not monopolized by a comparatively few money-kings, how could a syndicate of bankers agree to control exchange as was

done recently in one of those masterly (?) deals in bonds of the Cleveland administration.

This monopoly is like a devil-fish, its stomach in Threadneedle Street, London, its suckers spread over all the world, absorbing the fruits of industry and reducing the industrious to pauperism. It needs constant new fields of exploitation, or it would die. It is distinctively English in origin and has reduced every seventh inhabitant of England to pauperism. It throttles industry by debt, and then picks its pocket.

Its missionaries are everywhere proclaiming the virtue of this devil-fish of finance, shouting for *honest money* and making whole nations converts. It spreads its capital over the earth, encouraging industry but *capturing the harvest.* It encourages only to devour. It devours, and, in return, gives periodical panics and industrial paralysis. And the civilized fools of many nations struggle on year by year, frantically competing with one

another to determine which can squeeze the most hog into the English sovereign. Oh, fools, when will ye get wisdom?

I have not exhausted the category of evils of a commodity standard, but this must suffice.

Whatever line of economic inquiry we follow, the mammoth evils of our present money system are revealed like a veritable Pandora's Box.

Labor Standards, etc.

Realizing the great truth that labor is the source of all wealth, Adam Smith, Ricardo, Karl Marx and other economists, including even the great Proudhon, have concluded that labor is not only the producer but the measure of all values.

Adam Smith says, "Labor, it must always be remembered, and not any particular commodity or set of commodities, is the real measure of value, both of silver and all other commodities."

This proposition, as J. S. Mill observes truly, "whether in itself admissible or not, discards the idea of exchange value altogether." And yet, while not scientifically true, Adam Smith's proposition is a part of the truth, and we shall find *cost of production* or *labor expended in production* figuring as a prominent factor in the determination of value, and in fact, *indirectly*, becoming the *ultimate measure of value.*

We say *indirectly*, for a labor standard of value is totally inadmissible in view of the law which asserts, with regard to all measures and standards, that they must be homogeneous with the thing measured or gauged, and that therefore *labor* only can be a standard or measure of *labor*. Another disability of labor, preventing its use as a measure of value, is that scientifically *labor has no value.*

Proudhon discerned this truth when he wrote, "The *value of labor* is a figurative expression, an anticipation of effect from cause. . . . It is a fiction by the same

title as the *productivity of capital.* Labor produces, capital has value; and when, by a sort of ellipsis, we say the value of labor, we make an *enjambement,* which is not at all contrary to the rules of language, but which theorists ought to guard against mistaking for a reality. Labor, like liberty, love, ambition, genius, is a thing vague and indeterminate in its nature, but qualitatively defaced by its object,—that is, it becomes a reality through its product. When, therefore, we say, This man's labor is worth five francs per day, it is as if we should say, The daily product of this man is worth five francs."

In this relation labor is analogous with utility. All utilities are not valuable, but yet value is inconceivable apart from utility. So all labor products are not valuable, but value apart from a labor product is inconceivable.

Therefore, *labor* as a standard of *value* is impossible. We next encounter the *product of labor,* which passing through the crucible

of human estimation is pronounced valuable or non-valuable. The necessity for this refining process is beautifully expressed by Proudhon :

"But society preserves itself only so far as it avoids solidarity with private speculations, and leaves every innovation absolutely to the risk and peril of individuals. It would take but a few pages to contain the list of useful inventions. The enterprises that have been carried to a successful issue may be numbered. No figure could express the multitude of false ideas and imprudent ventures which every day are hatched in human brains."

Thus it is essential that each labor product pass through the crucible of supply and demand, while its producer retires to await the verdict which shall warrant or not its continued production. When its value is determined, we can then logically hunt for our standard of value.

The advocates of a labor standard of value

have never discovered its unit. Ricardo confessed that an invariable standard of value was unattainable.

J. K. Ingalls wrote: "I know of but one invariable standard, and that is labor; but what is its unit?" We shall show that it virtually is *some value* taken at *cost of production.*

Various other impossible standards have been suggested. J. B. Say, hunting with the rest of the economists for a concrete standard of the abstract,—*i.e.*, a commodity standard of value,—finally concluded that a measure of value was an *ignis fatuus.* He advocated the rejection of money terms (franc, etc.); the adoption of a *standard of quantity* and exchanges of quantities. He said, "When the law says five grammes of silver shall be equivalent to a franc, it is simply saying that a franc is five grammes of silver." He asks, "Why not call it five grammes of silver?" This proposition of Say is for a *restricted* barter, worse than barter pure and

simple. But the suggestion involved the perception by the economist of a great evil, —viz., a variable monopolized standard. He writes: "The whole monetary system would thenceforth fall to the ground,—a system replete with fraud, injustice, and robbery; and moreover so complicated as rarely to be thoroughly understood, even by those who make it their profession."

The system he justly denounces is in force to-day. Other economists, awake to the evils of our present standard, have advocated standards based upon and governed by statistics and inventories—multiple and composite commodity standards. But such schemes are based upon a false conception of value. For instance, an advocate of a multiple standard recently wrote as follows: "Money itself should be kept at the commodity standard,—that is, so that the same money shall always buy the same average amount of commodities." And again: "Good money must always measure the same average amount of

the commodities it is commonly used to purchase." This embodies the very common error that money should express unvarying quantities, while, on the contrary, it should express unvarying values. If I give a promissory note for $500, due in ten years, and at the time of giving it $500 will buy five hundred bushels of wheat, a piano of a certain quality, or one thousand bushels of corn, and if by the date of maturity the cost of production has been so diminished that $500 will buy one thousand bushels of wheat, two pianos of the same quality as specified above, and two thousand bushels of corn, my money covers precisely the same value or *difficulty of attainment* at both periods mentioned. Whereas, to insist that my $500 shall only buy the *same quantities* ten years from now would be absolutely unjust.

A standard embodying this injustice is the goal of the advocates of a multiple and other commodity standards of which late literature has so much to say.

The significance of a standard of value

must be varying as to commodities, invariable as to value.

Proudhon makes this important point very clear. He says, "Suppose, then, that suddenly, by a fortunate combination of efforts, by the division of labor by the use of some machine, by better management of the natural resources,—in short, by his industry,—Prometheus finds a way of producing in one day as much of a certain object as he formerly produced in ten, what will follow? The product will change its position in the table of the elements of wealth; its power of affinity for other products, so to speak, being increased, its relative value will be proportionately diminished, and, instead of being quoted at one hundred, it will thereafter be quoted only at ten. But this value will still, and always, be none the less accurately determined, and it will still be *labor alone* which will fix the degree of its importance. Thus value varies and the law of value is unchangeable. Further, if value is susceptible of vari-

ation, it is because it is governed by a law whose principle is essentially inconstant,—namely, labor measured by time."

And yet the plan of the multiple standard advocate referred to is to increase or diminish the volume of money to counteract the most triumphant fact of civilization,—reduced cost of production, lessened difficulty of attainment.

A standard of value must be a standard of *difficulty of attainment;* of value, not of quantity. It should insure for its owner a service equivalent to that which he has rendered. Such service can only be determined by value (which is the measure of service), not by quantity.

A truth is here revealed which is a revolution in political economy.

Standard but not Basis; also Standard and Time Basis.

There are some writers who think that gold may be retained as the money standard,

but that the "basis privilege" should be abolished. In other words, they believe it possible to have a commodity standard of value independent of a commodity basis. Benjamin R. Tucker, editor of *Liberty* (New York), says ("Instead of a Book," p. 253), "Moreover there is no danger in a standard. The whole trouble disappears with the abolition of the basis privilege."

In the first place, as we have clearly demonstrated, a commodity cannot be a standard of value. Further proof of this is needless. Again, to say that 25.8 grains of gold shall be a dollar, and yet that gold, in that quantity, and dollars, shall not be interconvertible, is to theorize idly. Interconvertibility *on demand* is indispensable. A gold standard implies a gold basis; they are inseparable. Tucker, when asked, "What becomes of the standard or measure of value during suspensions of specie payment?" replied, "Nothing. It remains what it was before. Certain parties have refused to pay

their debts; that's all." He is right; but when he advocates the repudiation of this basis, he should include the standard also, for they are inseparable.

If he owes $100 on a standard of 25.8 grains of gold per dollar, no matter if he can pay his debt in other commodities than gold, they must be equivalent in value to 25.8 grains of gold, to determine which they must be *convertible into gold on demand.* Thus, indirectly, the basis is perpetuated with the standard, and we are still in the bonds of iniquity. Suspension of specie payments sets the commodity (metal) free from money, and the dollar then becomes truly a *standard of value* (as we shall see later on). The money then measures the fluctuations in value of the commodity of which it was theretofore supposed to be composed as well as of all other commodities. The payment of debts in money then becomes *as just,* as their payment in an inflated monopolized commodity would be *unjust.*

The *quantity* standard has vanished and the standard of *value* has appeared. Under resumption of the specie basis the dollar becomes an invariable unit of *quantity*, masquerading as a unit of *value*. Payment of debts in this commodity standard is the very embodiment of rascality.

Hugo Bilgram, of Philadelphia, in a pamphlet on the money question, advocates the gold standard in connection with a promise to redeem in such standard *on time notice*, instead of, as now, on demand. By this plan the same quantity of gold may be used "repeatedly in the process of redemption." But, apart from the absurdity of a *commodity* standard of *value*, the facts of history condemn his plan as impossible. Adam Smith tells us that along in 1762, 1763, 1764, "the different banking companies of Scotland were in the practice of inserting into their bank-notes what they called an optional clause, by which they promised payment to the bearer, either as

soon as the note should be presented, or, in the option of the directors, six months after such presentment, together with the legal interest for the said six months."

Under this abuse, sometimes the exchange between London and Carlisle was at par, while that between London and Dumfries would be four per cent. against Dumfries, "though this town is not thirty miles distant from Carlisle."

Uncertainty of demand redemption degraded the *time notes* four per cent. below coin.

The same writer speaks of the paper currencies of the North American Colonies payable several years after issuance, which in spite of legal enactments varied in their value in proportion to "the distance and probability of the term of their final discharge and redemption."

This all goes to show that Bilgram's scheme of *time redemption* and Tucker's scheme of *no basis* are both fallacious and

impracticable; or, to be more explicit, Tucker cannot have a *standard* of value that is not a *basis* of value; and Bilgram cannot have a standard that is not redeemable *on demand.* We will also remind Mr. Bilgram that, if the same quantity of gold can be used over and over again in the process of redemption, logic insists on carrying the process to infinity, rendering no redemption necessary.

What we need is *an enlargement* of both the *standard* and *basis* of value, and that is obtained by our invariable unit, standard, basis, and measure of value, as we shall prove later on! Under our system we arrive at a *pan-value standard and basis. All values monetized upon a basis of all values,*—and redeemable on demand in that basis,—*that is our programme.* So long as the value of a single commodity furnishes the *standard,* real or alleged, so long will that commodity be subject to monopoly; and even redemption of money in *all commodities* at par with some single specified commodity would be no pro-

tection to industry, for, if the value of the standard commodity is the criterion for the values of other commodities, we are still left in the power of the *monopolists of the standard commodity.*

Reformers may well cry, "Save us from the friends of reform."

Denials of the Invariable Standard.

Charles Gide, of the University of Montpellier, France, concludes that "the attempt to discover a measure of value would seem to be an insoluble, nay, a contradictory problem, —a very squaring of the circle for political economists." He adds: "This, in truth, is the almost unanimous opinion of economists."

J. Marcet, another French economist, says, in his "Conversations," "There is no point so difficult to ascertain as a variation of value, because we have no fixed standard measure of value. Neither nature nor art furnishes us with a commodity whose value is incapable

of change, and such, alone, would afford us an accurate standard of value."

J. B. Say wrote: Value "cannot be measured,—that is to say, compared with any known and invariable measure of intensity, for no such measure has yet been discovered."

J. S. Mill said, "A measure of exchange values therefore being impossible," etc.

Macleod writes: "An invariable standard of value is impossible."

E. L. Rector, *American Journal of Politics*, November, 1894: "There neither is nor can be any fixed and absolute standard of values."

The economist Malthus said, "That a correct measure of real value [he divides values into real and nominal] in exchange would be very desirable cannot be doubted, . . . and all that we can hope for is an approximation to the measure which is the object of our search."

Professor Bonamy Price writes: "In a

world of daily life a universal measure of value does not exist."

And, again: "There is no other standard for value but feeling, and feeling is, by its nature, disqualified for being a standard."

It is strange that intelligent men should be so obtuse. It is very evident that if a certain intensity of feeling could be expressed by a point in a scale, say X, then increase or diminution of intensity could be easily ascertained by variations from X. Of course, feeling cannot be a standard *of value*, but an intensity of value denoted by the word *dollar* can be adopted as a standard by means of which increase or diminution of intensity of value may be observed. *There is no conceivable thing or idea that may not find its invariable standard, given the possibility of expression.*

Benjamin R. Tucker ("Instead of a Book," p. 254): "The claim that a standard of value varies, and inflicts damage by its

variations, is perfectly sound." But he thinks it better than nothing.

Ricardo (Section VI.): "When commodities varied in relative value, it would be desirable to have the means of ascertaining which of them fell and which rose in value, and this could be effected only by comparing them, one after another, with some invariable standard measure of value, which should itself be subject to none of the fluctuations to which other commodities are exposed. Of such a measure it is impossible to be possessed," etc.

J. Laurence Laughlin, head professor of Political Economy, Chicago University, in the *Forum*, February, 1896: "A perfect standard of value, as every economist knows, is unattainable."

The foregoing quotations from leading writers indicate the universal failure to discover a standard measure and unit of value.

They also inferentially emphasize the im-

portance of the discovery of an invariable measure of value, if it should be made.

We have made that discovery.

A Digression.

Professor Laughlin, in the *Forum*, February, 1896, writes as follows: "A correct analysis of the situation, therefore, in my judgment, discloses the fact that the cause of all our monetary disturbances is not one connected with a medium of exchange, but one concerning the maintenance of a definite measure or common denominator, in which prices and contracts are expressed."

How he fails to see that the "definite measure" or "common denominator" is other than a "medium of exchange," it is hard to determine.

Again he writes: "Knowing the necessity of fixity in the standard for business prosperity," etc.

Again: "All tampering with the stand-

ard should be as much dreaded as Asiatic cholera."

These are important admissions by such a high authority. The Professor is appealing for his imperfect gold standard, unaware that it embodies the very evils he condemns.

His standard is a *quantity* standard not a *value* standard, therefore values cannot be determined by its use.

He admits that three influences are constantly modifying prices, namely, "First, an increase or diminution in the supply of money. Second, an increase or diminution in the demand for the money material. Third, an increase or diminution in the cost of producing the goods exchanged against money."

The first two of these influences are inevitable under a commodity standard. The control of the volume of money and of the material of money rests with the monopolists of the commodity standard.

These are abnormal influences which would vanish under a scientific money system.

The third influence is perfectly normal, and if we can discover a standard of value free from all but this last influence, namely, "The increased or diminished cost of production," then we shall have, what Professor Laughlin admits we do not now possess, *a perfect standard of value.* In our next section we shall accomplish this task, and we hope the Professor will be among the first to recognize the fact.

Money and an Invariable Unit.

"*Nolens volens*, then, the measure of value must be sought for: logic commands it, and her conclusions are adverse to economists and socialists alike. The opinion which denies the existence of this measure is irrational, unreasonable. Say as often as you please, on the one hand, that political economy is a science of facts, and that the facts are contrary to the hypothesis of a determination of value; or on the other, that this troublesome question would not present itself in a system

of universal association which would absorb all antagonism, I will reply still, to the right and to the left:

"1. That, as no fact is produced which has not its cause, so none exists which has not its law, and that, if the law of exchange is not discovered, the fault is not with the facts, but with the *savants.*

"2. That, as long as man shall labor in order to live, and shall labor freely, justice will be the condition of fraternity and the basis of association; now, without a determination of value, justice is imperfect, impossible." (Proudhon, "System of Economical Contradictions," page 91.)

For several years we have called attention, through various mediums, to the conflict existing between money and the material of money. We have shown that money acted as a common denominator of values, being affected inversely by every modification of values. Correcting John Stuart Mill, we say, Values vary inversely as to quantities,

—falling as they rise and rising as they fall. That, therefore, money could not be both numerator and denominator,—fluctuations in values affecting the money and the commodity in diametrically opposite ways.

We have demonstrated that value is an abstraction, depending mainly upon a mental conception or estimate of utilities; *appearing, fluctuating, and disappearing without any material manifestation.* And that, therefore, the standard of the abstract must be an abstraction, and that it must indicate a *fixed value* or *difficulty of attainment.* It is *the length* of the stick which is the standard of length, and not the stick; so the value of a commodity may be used to arrive at a standard of value; but it must be *the value,* and not the commodity, which is the standard.

These points involve great exactness. To illustrate how easily misconceptions arise, let us quote Professor Jevons, a clever writer. He says, "The expression *standard unit of value* will indeed be almost inevitably mis-

understood as implying the existence of *something* of a fixed value" (last italics mine). He goes on to explain that *fixed value* is not implied. *But it is exactly the fixed value, and nothing else,* that should be implied by the term *standard of value;* not *something of a fixed value,* but *the fixed value itself* regardless of the *something.* Length need not be attached in perpetuity to any stick, nor need value be attached in perpetuity to any commodity. But the length and the value respectively must be constant and invariable. Some there are who say they cannot conceive of value apart from a commodity; but how wrong they are is easily proved. If wheat is quoted at one dollar per bushel, then one dollar is the value of a bushel of wheat. If the value drops to seventy-five cents per bushel, is not the change purely a change in value,—the commodity remaining unchanged? *Quantities* are invariable; their values are variable; but a standard value would always be invariable. A standard of anything *must*

be homogeneous with such thing, and consequently a material standard of ideal value is an unscientific conception, is impossible.

To distinctly define this antagonism between the *material* and the *ideal* standards, let us take the gold standard of to-day of 25.8 grains of gold. If that quantity of gold *is* a standard, how can it be other than invariable? But it is said, it is *not* the *gold*, but its *value* that is the standard, and *that* is variable. Then you have a variable and an invariable standard conjoined; a quantity and a value.

But you do not want a *standard of quantity;* therefore you should reject the commodity. You do want a standard of *value;* therefore you should accept *the value.* The moment you divorce your quantity from its value, *the value must of necessity become invariable.* For fluctuations of value are impossible when there is nothing to be influenced by supply and demand.

For instance, we will take accepted facts.

We will say that to-day 25.8 grains of gold is worth one dollar. *The term dollar is a purely arbitrary point in a value scale.* The dollar then represents a certain difficulty of attainment, as related to 25.8 grains of gold, at a given moment. If the *difficulty* is lessened, that quantity of gold may then be purchased with less than one dollar; if the difficulty is increased, that quantity of gold will be worth more than one dollar. *The value* of 25.8 grains of gold at a given time is *our standard: the value only;* and value, being an abstraction, *cannot fluctuate* in itself, or in its own value. The thought is absurd. Hence the value, free from all modifying influences, becomes *perfectly invariable as a unit of value.*

We will now see how this harmonizes with a scientific conception of a money unit. A book published in 1805, written by Sir James Steuart, Bart., of Coltness, Scotland, edited by his son, General Sir James Steuart, Bart., contains ideas as to money worth reproducing

here. We read: "Money, which I call of account, is no more than an arbitrary scale of equal parts, invented for measuring the respective value of things vendable."

Again: "Money of account performs the same office with regard to the value of things that degrees, minutes, seconds, etc., do with regard to angles, or as scales do to geographical maps, or to plans of any kind. In all these inventions there is constantly some denominator taken for the unit. In angles it is the degree, in geography it is the mile or league, in plans, the foot, yard, or toise, in money the pound, livre, florin, etc.

"The degree has no determinate length, so neither has that part of the scale upon plans which marks the unit, the usefulness of all these inventions being solely confined to the marking of proportions."

"Just so the unit in money can have no invariable determinate proportion to any part of value, that is to say, it cannot be fixed to perpetuity to any particular quan-

tity of gold, silver, or any other commodity whatever."

Again: "Money, strictly and philosophically speaking, is, as has been said, an ideal scale of equal parts. If it be demanded what ought to be the standard value of one part? I answer by putting another question. What is the standard length of a degree, a minute, a second? It has none; and there is no necessity of its having any other than what, by convention, mankind think fit to give it. But as soon as one part becomes determined in the nature of a scale, all the rest follow in proportion."

"The first step being perfectly arbitrary, people may adjust one or more of these parts to a precise quantity of the precious metals; and so soon as this is done, and that money becomes realized, as it were in gold and silver, then it requires a new definition: it then becomes the price as well as the *measure of value.*"

"It does not follow from the adjusting of

the metals to the scale of value, that they, themselves, should therefore become the scale, as any one must readily perceive."

"That money, therefore, which constantly preserves an equal value, which poises itself, as it were, in a just equilibrium between the fluctuating proportion of the value of things, is the only permanent and equal scale by which value can be measured."

Again: "Money of account, therefore, cannot be fixed to any material substance, the value of which may vary with respect to other things."

The above quoted definition of money, given to the world about thirty years after the appearance of Adam Smith's great work, stands alone, so far as we can ascertain after some research, in its clearness and originality, but it has had no apparent influence in shaping financial legislation or policy.

It grasps some very vital facts: (1) Money should be simply a scale of value, (2) its unit entirely arbitrary, (3) free from any com-

modity incumbrance, and (4) it must be poised "in a just equilibrium between fluctuating values."

True scientific money (*honest* money, if you please) should be an arbitrary scale of value, whose unit, its fractions and multiples, should be used as a medium of exchange.

This money should be entirely valueless, *per se*, just as in vulgar fractions the denominator has no significance when the numerators vanish.

Our numerators are the vendable values seeking markets; our money their tool of exchange,—their common denominator.

Money should express and measure values, its significance depending upon the volume of such values and the demand for the same, just as the degree of a circle depends upon the radius.

The unit must denote an unvarying value or proportion in relation to the volume of values, just as the degree is constant as to the

circumference of a circle. The unit of value will adapt itself to the varying proportions of values, but it will unvaryingly represent a certain *difficulty of attainment* in relation to such values. Its power as to quantities will vary with prices, but its power as to value will remain invariable.

"Are not two sparrows sold for a farthing?" A money system could be built upon this starting-point. If two sparrows are sold for a farthing, prices of all commodities whose values were determinable could be expressed in farthings. The farthing might be a myth, and yet from it the proportions of all wealth might be determined. How absurd it would be to attach the sparrows in perpetuity to the farthing! How absurd it would be to attempt to define, in perpetuity, the length of a degree in an alternately expanding and contracting circle. If we wished to use the height of a certain man as a standard (say) of medium height, how foolish it would be to attach the man in perpetuity to his meas-

urement. By freeing the man, his subsequent growth, if any, may be ascertained by comparison with the adopted scale.

This absurd, this foolish thing is persisted in to-day in our money system. We attach a value in perpetuity to 25.8 grains of gold instead of taking the value of the gold at a given time, then releasing gold, and observing its fluctuations in value thereafter by comparison with the value at said given time.

Changes in variable things can always be noted by getting their exact condition at a given time, and using them as a standard from which to determine subsequent changes.

Values of all commodities being variable, we can only discover variations by taking their values *at a given time* as a fixed standard.

A standard of value so determined is invariable, because the only influences that can then affect prices are the normal ones of supply and demand of commodities.

The unit of value becomes absolutely free from all modifying influences.

The *invariable unit, standard, measure, and scale of value* thus appears, measuring and expressing values as they are determined by the perfectly normal, and only normal, influence of the supply of, and demand for, commodities.

The rule applicable to our discovery may be thus stated: The value of a definite quantity of any vendable commodity, and its implied value equivalents in the whole range of vendable commodities, may be expressed in a purely arbitrary term as a starting-point or money unit in a scale of values *at a given moment of time.* Fluctuations from such values subsequent to the adoption of such money unit or value-scale to be noted by deviations therefrom.

To apply this rule to present commercial conditions is a very simple process.

We can use as our money unit the value of 25.8 grains of gold, which, to-day, is legally one dollar. We can imagine a dollar line running through the entire line of commodities, like the equatorial line around our earth, because it follows, that if 25.8 grains

of gold is, at a certain time, worth one dollar, then a *certain quantity* of *every* vendable commodity is also worth one dollar. *No detailed specification is necessary.* We must take these values *at a certain time,* because they are variable in their nature. Now, having established our *dollar line,* and detaching our dollar from any commodity, we place it alongside the entire line as a common denominator of values.

As values fluctuate from day to day, they rise above, or fall below, this line, but the dollar line never changes, *the unit of value is invariable.*

Under our present system we attempt to hold the dollar to a certain quantity of gold; why we should do so with one value more than with the thousand and one other values, can only be explained by an ignorant conception of money.

If, at the time of the adoption of our unit, wheat be quoted at one dollar a bushel, and if, on the following day, wheat declines in

value to seventy-five cents per bushel, the change is at once perceived. Why should not the changes in the value of gold be equally perceptible? The invisible fluctuations of gold are constantly deranging the entire range of values, and yet some people say "the dollar never changes in value; it is the values of commodities that change." But Mr. Giffen, an English statistician, said, "Viewing a long period, dynamically, it is beyond all question that the commodities are comparatively steady, and only money changes."

The invisible fluctuations of a monopolized commodity standard leave society to effect a comparison of values without a point of comparison. The "daily, hourly equity between man and man are forever a foot-ball to be kicked hither and thither in the unreasoning play of geology on the one hand, and credit on the other."

Then is it not of the greatest importance that the secret mischiefs of the gold basis be revealed? The one and only way to accom-

plish this is to note the changes in the value of gold precisely as we note the changes in the value of all other commodities.

The secret of our financial chaos is the arbitrary and unscientific effort to determine value by fiat of law; that is, by the decree that 25.8 grains of gold shall *always be one dollar.*

The separation of the scale from the commodity, of the common denominator from the numerator, is essentially the solution of the money question.

The Application of the Invariable Unit of Value.

How can this unit be used as money to supply commerce with an adequate tool of exchange?

In the first place, it must be rendered easy and inexpensive to monetize all exchangeable wealth into these units of value.

The amount so monetized must be determined by business needs untrammelled by government hinderances.

Gold must be republicanized; its divine right to act as money must be denied, and it will then fall into the ranks of the commodities, where its value will be determined, as are the values of all other commodities, by supply and demand.

Bimetallism and monometallism, and all forms of metallism, will vanish like the heathen gods under the light of intelligence.

Fiat money, and its twin absurdity, fiat value, will no more persist in their ridiculous pretensions.

The world-wide superstition, that money should be based upon the bond-enslavement of the people,—upon public debts,—must die out; and the broad expanse of the exchangeable products of industry shall furnish basis and redeemer.

Money based upon the power of tax-exploitation, issued by government regardless of business needs, is to be forever condemned.

The ridiculous and mischievous article in

the Constitution of the United States, that Congress shall coin money and regulate the value thereof, must be erased as nonsensical, mischievous, and tyrannical. To coin a scale of value is absurd; to decree values is lunacy. Ajax defying the lightning and Congress defying the law of value are on a par.

W. Dodsworth, in a pamphlet issued by the "Sound Currency Committee" of the Reform Club of New York, entitled "Our Paper Currency," says, "It is scarcely possible to conceive of a more vicious perversion of the functions of government than the issuing of a paper currency based upon the mere credit of the central power. The issue of a circulatory credit is distinctively a banking function, and, as such, cannot properly be assumed by a government which has no right to assume fiduciary responsibility on behalf of private interests."

The invention of money arises out of the desire to freely and easily effect exchanges

of values. Therefore such values should be the basis of and redeemer of money issued for such purpose. The owners of such values are the naturally competent issuers of such money, and the entire range of such values should furnish a choice of redemption; not one or two values, monopolized and restricted in volume, robbing industry perpetually under legal tender laws and fiat values.

Some devotees of governmental paternalism claim that our present National Bank system is worthy of commendation and continuance. But the basis of the system is a national debt, or, as Jefferson called it, a "national canker," and it can only exist by the perpetuation of such debt. There is hardly a single feature of the system that should be tolerated by a civilized nation. Not debt, but *exchangeable wealth* should call money into existence!

In another "Sound Currency" pamphlet, entitled "The Currency Famine of 1893,"

John De Witt Warner, after showing how the National Banks failed to relieve the congestion in the money market at the worst period of the famine, says, "The only result was to demonstrate the worthlessness of the National Banking system itself."

The system is based upon privilege, and, under the plea that it furnishes a currency for business needs, *it sells to necessity the use of credit founded upon debt.*

Freedom from legislative interference is all that is necessary to insure a proper monetary system responsive to business needs. Especially is this true now that a standard of value is discovered.

The panic of 1893 demonstrated, in a remarkable way, that business interests may be safely left in the hands of the people, without any attempt at governmental protection or regulation.

In the pamphlet last quoted from, John De Witt Warner writes: "Such was the crisis of 1893, a situation brought about by the

wanton interference of government with business not its own; aggravated by legislation which had to be broken before the people could help themselves; relieved by enterprise evading and overriding restrictive law, and turned into a theme for the gayety of nations by the grotesque exhibition thus afforded of how depraved was the elaborate bank-note currency system upon which had been lavished so much of thankless labor."

Again he writes: "In this way, after the machinery so carefully adjusted by government had utterly failed to work, the business common sense of our people readjusted its finances, and in every part of the land business started up again, manufacture continued, the laborer received his hire, and the merchant disposed of his goods. In not an instance, so far as I have been able to learn, did any community find any trouble in the use of what in the absence of all restrictive laws would have been, and in defiance of them actually was, a perfectly natural bank-

note currency. The whole American people promptly accepted, each locality upon its knowledge of the conditions there, the paper of individuals and institutions. And as a result of this experience, most wide-spread and had under conditions least favorable to security other than the integrity of those who issued the notes and the intelligence of those who were asked to accept them, there was not a single dollar lost."

But we do not learn by experience; we refuse to apply the lessons of history to our financial system; and, such is the force of tradition, that when object-lessons galore point the way to reform, we stick like a fool to his folly and return like a dog to his vomit.

The foregoing pointed testimony of Mr. Warner to the superiority of private over governmental methods is only one of legion. Freedom from governmental restriction and control appears, from abundant testimony and the facts of history, to be the chief essential

to progress in any direction. If the Constitution of these United States made no reference to the money question, and legislation had not meddled therewith, it would have been solved long ago. Legislation is essentially stationary, while society is naturally evolutionary. Hence, legislation should be very reluctantly and sparingly indulged in.

We find in Mr. Warner's pamphlet the primal steps to the solution of the currency problem, namely, issues of the credits of individuals and institutions.

Such issues would, naturally, be local and limited, being non-circulatory at any considerable distance from their points of issue. This inconvenience would suggest co-operation and association in banking, in order that widely known credits might be obtainable where and when necessary for business or travel. A system of Mutual Banking would probably evolve out of necessity, under which, gaining perfection with experience,

the evils of our present robber system would ultimately vanish and all exchangeable wealth easily find a tool of transfer at trifling cost. Until now the all-important question of value has been undetermined, and the suggested basis for money more or less fictional or empirical. With an invariable unit of value all values may be monetized to the extent of the needs of exchange. It may take many years to perfect a system of Mutual Banking, but under freedom, difficulties are the sign-posts of progress, while under restriction and authority, they are the graveyards of progress.

The importance of our discovery of the invariable unit of value is emphasized in the fact that, lacking such unit, even the advocates of money reform are hopelessly at sea. As an instance, we will refer to Henry Seymour, of the Free Currency propaganda of London, England. He asserted, quite recently, in a letter to the *London Weekly Times and Echo* (copied by *Liberty*, New

York), that the "ridiculous" proposition "that a commodity standard or monetary unit is both impossible and unnecessary" has "no longer any economic significance," and is as dead as a "door-nail." We have shown conclusively that a commodity (material) cannot be a unit of value (ideal). He also said "that money or credit is unthinkable apart from a commodity unit." If Mr. Seymour will take his thermometer and watch the rise and fall of the mercury under the influences of a varying temperature, he will get an exact analogy of the action of money under supply and demand. A simple scale of degrees of heat mark the thermometrical changes, *a simple scale of degrees of value may be used to record changes in value,* both scales being entirely disassociated from any material. And so, in the name of reform, the propaganda of error goes on in the mighty city of London, and its prophets see through a glass darkly.

The free monetization, by our invariable

unit, of *all values*, offers emancipation from the evils of our present rascally money system.

In the advocacy of reform, a strict adherence to the line of justice is naturally expected, and, in the suggestion and advocacy of the repudiation of a gold standard and basis of value, we are certainly beyond criticism.

The history of finance, even in the short life of our republic, is replete with fraud and blunders. Credit strengthening acts changing currency bonds into coin bonds; other acts changing coin bonds into gold bonds; the funding system; artificial and conspired contraction and paralysis of industry; crafty demonetization of silver, and the long line of conspiracies of the money-power, are warrant enough for the change we advocate. As a fact, which will sooner or later be generally realized, the rascality and greed at the root of the world's funding system would divest general repudiation of the stigma of dishonesty. In-

dustry is staggering to-day under debts of one hundred and fifty billions of dollars, which since 1873 have increased in purchasing power fully thirty per cent., representing billions of unearned increment.

With the steady contraction of the field of exploitation, and the steady decline in the earning capacity of capital, the time must come when the evil of usury will itself be exhausted or its victims be beyond further exploitation.

The *invariable unit*, in its application, would ultimately kill usury (by usury we mean legal or illegal interest) ; but it would open up such vast opportunities to labor and capital that instead of, as now, the one being idle, the other depending upon taxing powers of corrupt governments, both would spring into the industrial arena, producing universal well-being and happiness.

The Traders of the Town of Commerce.

At certain seasons there came to the market-town of Commerce, on the borders of Millennia, farmers and planters with loads of hay, of vegetables, of wheat, of corn, and of cotton; miners came with coal, silver, and gold; and merchants came with bread, clothing, hardware, wines, and watches.

Farmers, planters, miners, and merchants gathered together in the public inn or hotel, and, after much handling of wares and dickering as to quantities equitable in exchange, finally came to trading terms.

"A chiel amang them takin' notes" found that a ton of hay would exchange for a quarter of a ton of vegetables, ten bushels of wheat, twenty bushels of corn, a ton of coal, four ounces of silver, four pennyweights of gold, one hundred loaves of bread, one gallon of wine, or one watch.

They had thus gathered, and bargained,

and traded from time immemorial; but it happened that on this occasion a thought of much moment occurred to one of the merchants, and he begged the other merchants, and the planters, and miners to listen to him, which they very willingly consented to do.

He thus addressed them: "My friends, we are all producers of exchangeable wealth; we desire to effect just exchanges one with another, but our present system is crude and cumbersome.

"When one is asked what is the value of any commodity, he must, to reply fully, specify the ratios in exchange between such commodity and all other vendable commodities, an almost interminable and a very tedious response.

"We may obviate this indefiniteness or difficulty by inventing a *value scale*, or language of values, in this way, namely,—First ascertain the exchange relations of a number of commodities (and by inference *all*) in small and convenient quantities suitable as the basis

of a scale of values. For instance, from the proportions in exchange, already determined, we deduce that one-fifth of a ton of hay is the equivalent in exchange for one-twentieth of a ton of vegetables, or two bushels of wheat, or four bushels of corn, or one-fifth of a ton of coal, or four-fifths of an ounce of silver, or four-fifths of a pennyweight of gold, or twenty loaves of bread, or one-fifth of a gallon of wine, or one-fifth of a watch. Certain quantities of *all other* vendable commodities, whose values are determined, are also the equivalents in exchange of each of the above quantities at a given moment of time. Values are being continually modified, but, by taking the above values at a given moment as a standard of values, it is very evident that subsequent fluctuations may be easily determined; just as we may take the height of a man at a given time, and by it ascertain his subsequent growth.

"Values, at a given moment, can be held invariable, just as height or quantity may

be. Now, by choosing some arbitrary term by which to express the entire line, stated and inferred (the latter easily ascertained, when necessary), of values, quoted above, and by holding that term constant (just as the scale of the thermometer is kept constant), and in its significance being totally unrelated to any *special commodity*, but always, and in perpetuity, being *invariable as to value*, we can then ascertain the fluctuations in the value of every commodity subsequent to the creation of our unit of value, just as we note the fluctuations of temperature by a scale of degrees.

"We then cease expressing exchange relations *in quantities*, substituting *values* therefor.

"The value term may be 'the dollar of one hundred cents,' therefore from this time we will start our system by calling the value of each of the above specified commodities ONE DOLLAR, leaving them perfectly free to fluctuate in value under supply and demand.

We can issue a money based upon this unit of value as a deferred equivalent in exchange.

"It will be necessary to have, as near as possible, uniform issues of these units of value, this tool of exchange; therefore let us organize a mutual bank to be called 'The First Mutual Bank of the Invariable Unit,' with proper officers and directory.

"This bank shall furnish us with engraved paper units, called dollars, in denominations suitable for business transactions; the only condition necessary to secure these being the possession of exchangeable, unincumbered values.

"No capital will be necessary, and no losses will be possible.

"The expenses of management may be met by a charge of, say, one per cent. on all issues of these units, the surplus revenue, if any, after paying salaries and expenses, to be returned *pro rata* to the subscribers.

"Subscribers, as a matter of self-interest,

will agree to accept this money in all transactions with one another.

"There will be no objection to anybody, subscriber or not, using this money in exchange; in fact, as the credit of our bank becomes established, its money will extend its sphere of usefulness.

"A merchant coming to Commerce with values for sale, desiring funds with which to make purchases, can apply to our bank and secure a reasonable advance, in money, on his goods. After disposing of his goods he can return the borrowed money to the bank, which will always be the point of final redemption.

"No money will ever be reissued by the bank, newly-printed notes being invariably issued and the old destroyed.

"Money not reaching the bank for final redemption will form the circulating, active tool of business of the community or of society, constituting active demand, and, with supply, determining values.

"The supply of money being always, under this system, equal to the demand for money, the volume of money can never be restricted or monopolized so as to form, in itself, a modifying influence upon prices.

"The supply of, and demand for, commodities can thus be the only influence determining values.

"Money will be simply a function, a tool of exchange.

"Daily statements, in full detail, of the transactions of the bank will be ample protection against loss in any way.

"The bank will be ours, subject to our needs, and living for the conservation of our best interests.

"At this time, as we adopt our unit, prices are as follows, based upon the exchange relations above specified:

HAY, per ton, \$5.00.	VEGETABLES, per ton, \$20.00.	WHEAT, per bushel, 50 cents.	CORN, per bushel, 25 cents.	COAL, per ton, \$5.00
SILVER, per ounce, \$1.25.	GOLD, per pennyweight, \$.1.25.	LOAVES, per hundred, \$5.00.	WINE, per gallon, \$5.00.	WATCHES, each, \$5.00.

"Upon this basis we can complete our trading; and should an actual transfer of goods be undesirable at this time, in any instance, a promise to pay or deliver in the future may be made *in terms of our unit of value.*"

They adopted this plan without dissension, its advantages being so apparent to every one. They organized their bank, completed their trading, and departed their several ways.

Six months later they again sought the market with their wares. Changes had meanwhile occurred in the exchange relations of commodities.

The season had been good for hay, and an abundant crop harvested, so that the farmer could afford to sell his product for four dollars a ton. Vegetables were also abundant, and could now be sold at fifteen dollars a ton. Wheat had not been so remunerative to labor, and the production of one bushel had involved as much labor as formerly the

production of two bushels. Corn had not changed. Coal, by discoveries of new mines and by application of new machinery, could be marketed at three dollars a ton. Silver had been discovered in large quantities and was more easily mined, hence could be sold at one dollar an ounce. Gold had become scarcer, rising to two dollars a pennyweight. Loaves had changed with dear wheat and were now worth ten dollars per hundred. Wine was unchanged; and watches were now worth ten dollars each.

The statistician of the traders thought that a comparison of exchange ratios should be made, showing the past and present signification as to quantities of the invariable unit of value (the dollar.)

After some simple figuring, he made out a comparative table, which he showed to the traders, saying to them, "it indicates, on the whole, a considerable advance in wealth and prosperity. It is easier to acquire our needs to-day than it was six months ago, and we

hope to see wheat and bread cheapened by the time we gather here again.

"The table is as follows:

	WHEN UNIT WAS ADOPTED.		SIX MONTHS LATER.	
	Per ton,	Unit bought,		Unit will buy,
Hay	$5.00.	$\frac{1}{5}$ ton.	$4.00.	$\frac{1}{4}$ ton.
Vegetables .	$20.00.	$\frac{1}{20}$ ton.	$15.00.	$\frac{1}{15}$ ton.
	Per bushel,			
Wheat . .	50 cts.	2 bushels.	$1.00.	1 bushel.
	Per bushel,			
Corn . . .	25 cts.	4 bushels.	25 cts.	4 bushels.
	Per ton,			
Coal	$5.00.	$\frac{1}{5}$ ton.	$3.00.	$\frac{1}{3}$ ton.
	Per ounce,			
Silver . . .	$1.25.	$\frac{4}{5}$ ounces.	$1.00.	1 ounce.
	Per dwt,			
Gold	$1.25.	$\frac{4}{5}$ dwt.	$2.00.	$\frac{1}{2}$ dwt.
	Per 100 loaves,			
Bread . . .	$5.00.	20 loaves.	$10.00.	10 loaves.
	Per gallon,			
Wine . . .	$5.00.	$\frac{1}{5}$ gallon.	$5.00.	$\frac{1}{5}$ gallon.
	Each,			
Watches, .	$5.00.	$\frac{1}{5}$ watch.	$10.00.	$\frac{1}{10}$ watch.

"The changes in values have occurred by purely normal influences, those termed by economists 'supply and demand.' While commodities have fluctuated in value, in many cases, our unit of value is unchanged, being merely a mark or unit in a scale of

values absolutely beyond the range of any disturbing influence.

"I repeat, while the values of our goods change from time to time, as more or less difficulty of attainment is apparent, the *dollar, or unit, is invariable of necessity.* Under this system of exchange, we have the satisfaction of knowing that when we make contracts with one another, paying or promising to pay in dollars (multiples or fractions of our unit of value), we always receive and give exact equivalents in service, be the time involved in the contract ever so long or short.

"Just relations in exchange are assured, and under them, labor getting its just wage (its entire product), and the skill and inventive genius of the laborer constantly cheapening production and lowering values, we shall march on to a future of steadily increasing affluence and full security in its enjoyment."

Hearty applause greeted his remarks, and, after giving three rousing cheers and a tiger

for the *invariable unit of value,* the traders again dispersed, their hearts pervaded by a strong feeling of fraternity born of justice.

Conclusion.

If our conclusions as to value, reached in these pages, are correct,—and if the invariable unit of value is, as we know it to be, a scientific fact,—then the current conceptions of the economists and of the financial world, upon which are based, to a large extent, the commerce of the world, as to money and currency, and the standards, measure, basis, and unit of value, are all unscientific and false.

That "something is rotten in the state of Denmark" is very evident to any student of the times, and that the cause of decay is hard to discover, is manifested by the prevailing conflict of opinion as to the remedy therefor.

Leaving selfish interests out of the influences seeking to control new policies in finance, the honest inquirers for truth and jus-

tice still appear to be rudderless and compassless. How could it be otherwise? how could a policy governing values be agreed upon while value was undetermined? And now that value *is* determined, is it surprising that the theories built upon the wind of economic vagaries and superstitions should fall to the ground, and a new theory in harmony with scientific fact be evolved?

The sooner we shed the skin of the old, false, and unscientific, and take on that of the new, true, and scientific, the less will be the difficulties of the change, and the opposition or antagonism thereto.

Some interests will suffer, as in all reformations, but they will be those that cannot stand the play of justice. Tares may be uprooted; the wheat will grow and develop.

The suffering entailed by the process of reform will be as nothing compared to the misery accruing to society by the persistence in our present financial policy. It requires neither a prophet nor the son of a

prophet to foresee revolution and disintegration threatening these United States.

Steadily, for years, have we been marching to the consummation predicted by that grandly unique prophet Abraham Lincoln, namely, the destruction of the Republic under the malign influences of corporations and the money power. Already the republic is destroyed, and the theme for aspiring millionaires may now well be "Plutocracy triumphant."

Chattel slavery has been merged into wage slavery, and, as Horace Greely said, "by our iniquitous monetary system we have nationalized a system of oppression more refined, but none the less cruel, than the old system of chattel slavery."

Honesty, honor, and manhood are sacrificed on the altar of greed, and the slime of venality clings to politics from the policeman to the President, either by fact or by imputation, while mercantile morality has erected an altar to bounties, protection, and theft, under numerous hypocritical aliases.

A country intoxicated with the lavish wealth of nature, peopled by a cosmos of races, active, intelligent, orderly, industrious, being steadily devoured by the bondholder in a time of peace, is a sight to make angels weep.

In the shadow of every obese millionaire stand hundreds of emaciated tramps and paupers; "wealth increases and men decay."

The prophets have spoken, but the devotees of Mammon have not listened. Reform lifts its voice upon every platform, but an ignorant multitude, hypnotized by rascality, tempted by a mess of pottage, persistently vote their own degradation.

Average intelligence cannot cope with great problems in finance and sociology, but it is a most effectual barrier to the work of a higher intelligence. Quantity rules, regardless of quality, in spite of the great fact of nature that the greatest forces are those that are invisible, and that minorities are the prophets of progress.

Steadily concentrating evils, steadily growing unrest, revolution predicted, evolution impeded, ultimate disintegration, are the signs of the times and the promises of the future.

Already the blind Samson of labor clutches at the pillars of the Temple of Usury. Will you mock and rob and ridicule him until he tears the pillars of the temple in twain in the strength of his despair?

Carlyle once wrote: "Wait a little till the entire nation is in an electric state; till your vital electricity, no longer healthfully neutral, is cut into two isolated portions of positive and negative (of money and hunger), and stands there bottled up in two-world batteries. The stirring of a child's finger brings the two together and then—what then?"

Those who know and feel that reformation or revolution is inevitable will join in the campaign of education for righteousness and help to avoid a hideous disintegration of society by timely concessions to justice. Those

who are indifferent, or who condemn agitation for financial reform, are like those who sleep while fire approaches to destroy them.

> "Slowly comes a hungry people
> As a lion, drawing nigher,
> Glares at one who nods and winks
> Behind a slowly dying fire."

No foundation is deep enough, broad enough, to support the structure of an economic (or any other) lie!

A Criticism.

In accentuation of the foregoing theories, I am led to criticise a recently issued pamphlet written by Professor J. Allen Smith, of Marietta College, entitled "The Multiple Money Standard," and published by "The American Academy of Political and Social Science," February, 1896. This academy is in world-wide repute. Its list of officials and Advisory Committee embraces names second to none in the arena of modern political economy. Edmund J. James, Ph.D., of

the Chicago University, is its honored president.

Prince Bismarck once said that, realizing the intricacies of the money problem, he had been led to consult the economists, only to discover that they knew less than he did upon the subject.

This represents my predicament in some degree, those professors whom I have consulted persisting in the deep slumber of decided opinions from which it is difficult to awaken them.

While admitting the ability shown in the work under criticism, so general in economic essays where tradition is the basis of argument and impossibilities its fundamental feature, I shall boldly attack its vital assumptions.

On page 2, Professor Smith writes: "They are right in maintaining that stability of general prices is essential to healthy industrial activity."

This, I claim, is a *denial of progress;* for the aim of labor should be to produce abun-

dantly a great variety of products, at the *lowest possible cost;* which means that a *steady decline of values* (prices) should be constantly lessening the difficulty of attainment of our needs.

Following is an admirable illustration of the evils of our present money system.

Page 7: "As long as men thought of wealth in its concrete form, there was a direct relation between supply and demand. The aggregate demand balanced the aggregate supply, and production was therefore regular. But when the concrete gave way to the abstract conception of wealth, this direct, immediate relation became an indirect, mediate one. Under the old economic organization, the relation between the aggregate supply and the aggregate demand was one of equality, and may be expressed by the following equation:

"Total supply of commodities = total demand for commodities.

"Under the new organization of industry, the relation between supply and demand takes this form:

"Total supply of commodities = total demand for money.

"Total demand for commodities = total supply of money.

But

"Total demand for money >, =, < Total supply of money.

"It follows, then, that

"Total supply of commodities : total demand for commodities = Total demand for money : total supply of money."

All of which is admirable, and shows very clearly that the relation between supply of, and demand for, commodities which was evenly balanced under barter, has been utterly deranged by our money substitute for barter. It also shows that exchanges, which were formerly only limited by the material of exchange, are, under our present system, restricted by our tool of exchange.

To restore the old and normal relation, the demand for and supply of money must be equal; to insure which the *only possible course* is to render the monetization of all commodities possible. Professor Smith is right when he says (page 9), "The solution of the money question clearly lies in the direction of a broadening of the monetary basis." This work, in its prior pages, has shown how this can be done.

In writing of the standard of value, Professor Smith says (page 9), "All would agree that the ideal standard is one which always has exactly the same value; but as to what is meant by always having the same value, there are two distinct and fundamentally different notions which tend, in their influence on the practical side of the money question, towards widely different results.

"The gold monometallists stand for one conception of a standard; the bimetallists and paper money advocates for another. The former tell us that the ideal standard is

one which represents the product of a constant quantity of labor; the latter say it is a constant quantity of commodity."

This gets to the root of the money question, which is totally misapprehended by Professor Smith, as by all the political economists.

Value being (as Professor Smith virtually admits) an abstraction, how can a "product of a constant quantity of labor," or "a constant quantity of commodity," both concrete, be a standard *of value?* When one speaks of the *color* of anything, or of its *length*, or *mass*, or *value*, it is the *attribute* and not the *thing itself* that is the point of reference. Therefore, it is not the commodity but *its value* which must furnish a *standard of value*. Here is where all the economists are at sea. *Once let it be clearly demonstrated to the Professor that the concrete cannot be a standard of the abstract,—that a standard must be homogeneous with the thing it gauges,* and the question of a standard of value is

half solved. The complete solution then follows naturally and logically.

Professor Smith claims that the standard of the gold monometallists above referred to results as follows: "The purchasing power of money would increase in the same ratio as the efficiency of labor." When, in relation to this, Professor Smith speaks of the "value of labor," he is unscientific, an error that a professor of Political Economy should avoid. Labor has no value; it is the product of labor (and that not always) that has value; the value is only ascertained by such product going through the crucible of supply and demand.

But as to Professor Smith's assertion that, under gold monometallism, money would gain in purchasing power with efficiency of labor, we can only say that if such were a fact, and if efficiency of labor were the *only* element in reducing prices, nothing could be fairer. The fact is, however, that the gold standard, being a commodity, may, by manip-

ulation, bring down prices independently of efficiency of labor, *purely through monopoly.* Given the free monetization of values at cost, and the payment to labor of its just wage (its entire product), wages would constantly be rising, and values (prices) be constantly falling under constantly increasing efficiency of labor, until the millennium of industry, when in the superabundance of wealth values (the eternal point of attack of labor) would be annihilated.

On page 12 the Professor writes: "But even if we accept the *cost of production* theory of value, how do we know that the fall in prices has not been greater than the increased efficiency of labor?"

Under a gold standard the question is unanswerable, but under an ideal standard of value, *nothing else could affect prices.*

Our invariable unit of value, being simply a point in a scale, valueless *per se*, would indicate with unvarying accuracy the rise of values through scarcity or excessive demand,

thereby suggesting and encouraging increased production, or the fall in values through abundance, lessened demand or what not (all legitimate influences in modifying values), thereby suggesting and, probably, forcing cessation or limitation of production until the proper equilibrium is restored.

"It is evident, then, that the appreciation of money cannot explain all the increase in wages," writes Professor Smith, on page 13.

We reply that the natural tendency of appreciated money is towards *reduced* money wages and increased purchasing power of the residuum wage. Under present conditions, to trace the influences affecting wages intelligently is impossible by reason of the invisible fluctuations of the variable standard. Under the invariable unit it will be easy to trace them.

On page 19 the Professor says, "The problem seems to be not how to continue the monetary system permanently, and for all time to come, on a gold basis, but how to

make commodities generally the basis of the circulating medium.

"There is no reason why a considerable number of commodities cannot be combined in such a way as to secure a standard of practically uniform value."

He states the problem fairly, but his suggestion as to a standard of value is met with the insuperable objection so frequently urged in this work. To state the problem with absolute correctness, we should say it is this,—namely, how to make all values the basis for circulating units of value. The remedy, scientifically stated, is this,—namely, *the value* of any commodity at any given moment of time may be adopted as the *standard of value* for all values. Such a standard, of necessity, must be invariable, because it is not attached in perpetuity to any commodity.

In formulating his "multiple money standard," the Professor finds that his standard "would be one that for all practical pur-

poses would correspond to a constant *quantity of commodity.*" (Italics mine.)

That is to say, his "multiple money standard" is not a standard *of value*, but of *quantity*. A standard *of value* deals solely *with values*, else the term is absurd. Commodities (exchangeable) have values, but they *are not values.*

The Professor would establish his standard by act of Congress, and provide for proper issues to replace present money (coin). Under the invariable unit no such act is necessary: gold and silver and all metal money simply fall into line with the rest of the commodities, and can be monetized at their market value. *They would no longer be money*, but commodities.

Nor does the invariable unit suggest a bureau of prices, to issue daily prices of the standard commodities. All commodities, all values, to be more exact, are unitized, and fluctuations are recorded automatically by our *unit of value*, no matter where or when they occur.

The Professor is guilty of the gross absurdity of advocating *fiat values*, which with *fiat money* constitute the twin barbarisms of the age. He says (page 34), "The price of silver and gold being fixed by the government," etc.

The invariable unit rests upon no such condemnatory ignorance; under it, values are modified naturally and normally; they are entirely beyond all abnormal influences.

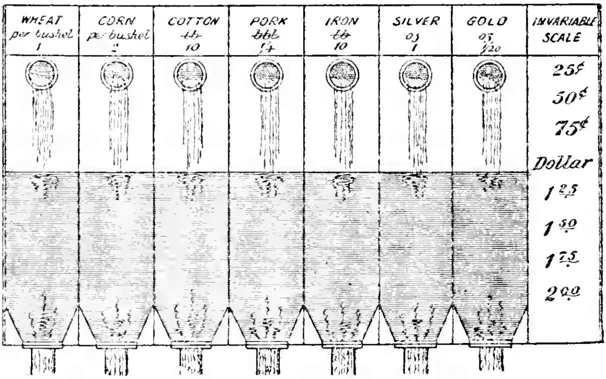
The Professor is a believer in the *government incubator;* he advocates government issues of money, as though that fetish knew the needs of business better than business men. He would put the control of the varied business of this great country into the hands of *our domestics*, the politicians, who never touch any interest except to blight or blackmail it. Let the government "mind its own business." It has done enough mischief already.

And on page 42 Professor Smith says, "The circulating medium might be made

redeemable in gold alone." Then let us tell the professor that if he will give us control of that commodity, we will make slaves and paupers of the industrial classes, and rob them as effectively and imperceptibly as they are being robbed now. The absurdity of a thousand and one ways of getting into debt with only one way out would be perpetuated.

There are some excellent points in the professor's pamphlet which show the evils of our present system, notably his exposure of the effects of a variable unit of value. We claim to have grounded the theory of value upon the rock of truth, and by so doing shall, sooner or later, compel all the *savants* to accept our position. In its application our invariable unit of value is perfect; in its detail it is simple, when the fundamental fact of the *ideality of value* is absorbed by the student; and the importance of the discovery is beyond expression. Its adoption will be the renaissance of industry; labor's declaration of independence.

Illustrating the Invariable Unit of Value under Supply and Demand.



"Like the poles of a battery, supply and demand are diametrically opposed to each other, and tend continually to mutual annihilation; it is by their antagonism that the price of things is either increased or reduced to nothing. We wish to know, then, if it is not possible on every occasion so to balance or harmonize these two forces that the price of things always may be the expression of their true value, the expression of justice." (Proudhon.)

Supply and demand determine values which indicate *difficulty of attainment* under the *invariable unit.* As demand exceeds supply, prices advance; as supply exceeds demand, prices fall. The *dollar line*, in fact the entire scale, is *invariable*, indicating, in every degree, a definite difficulty of attainment. Contracts based upon this scale involve every essential of justice and equity.

"WITHOUT A DETERMINATION OF VALUE, JUSTICE IS IMPOSSIBLE"

VALUE

AND

AN INVARIABLE UNIT OF VALUE

AN IMPORTANT DISCOVERY IN ECONOMICS

BY

WM. A. WHITTICK

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